

Fraud Against the US Government

Frauds against the US government are as varied as human ingenuity and imagination can contrive. They range from intentional submission of claims for travel not performed to collusion in contracting for, or disposing of, government property. Fraud against the US government may be an intentional deception to unlawfully deprive the government of something of value. Or it may be an intentional deception to secure from the government a benefit, privilege, allowance, or consideration to which the securer is not entitled.

The USACIDC and the FBI have concurrent jurisdiction over persons subject to the UCMJ that commit frauds against the US government. Frauds against the government involving a person subject to the UCMJ that are committed outside military installations are investigated by the Federal Bureau of Investigation, unless the Department of Justice determines otherwise.

Frauds against the government involving persons subject to the UCMJ that are committed on a military installation are investigated by USACIDC to determine the nature and extent of the crime. If the fraud is determined to be a minor offense as defined by AR 27-10, the investigation may be continued by the military. If the fraud is a serious offense, prompt notification is made to the FBI. While awaiting a response, the military maintains authority to apprehend and detain persons subject to the UCMJ, and the investigation is continued until the Department of Justice notifies the military commander to withdraw from the investigation. Even then, the military commander may make inquiries for administrative action related to the offense as long as no action is taken that would interfere with the FBI's investigation and the case's subsequent prosecution.

USACIDC may conduct or participate in investigations of persons not subject to the

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UCMJ if the military has a substantial interest in the investigation, such as identifying military property or determining facts on which to base security or administrative action. If the appropriate government agency declines to investigate, USACIDC may investigate suspected frauds for the above limited purposes, regardless of who is suspect.

In occupied territory, USACIDC may investigate all frauds against the US. In liberated areas, USACIDC investigates frauds committed against the US by persons subject to military law. In liberated countries or in countries in which US Armed Forces are present as guests, investigations by USACIDC of frauds committed by nationals of those countries against the US are conducted according to the agreements between the US and those countries.

There are five main categories of fraud against the government that you may be called upon to investigate. These are the

frauds involving claims, supply, petroleum distribution, contracting, and property disposal. You investigate claims, supply, and petroleum distribution frauds to determine if an offense has been committed. Then, using your investigative skills and techniques, you follow the standard investigative process to bring your inquiries to a successful

conclusion. You investigate contracting and property disposal frauds to determine if an offense has been committed. At that point you request assistance from economic crime investigative specialists. The successful resolution of contracting frauds and property disposal frauds generally requires the training and experience of such a specialist.

FRAUD OFFENSES INVOLVING CLAIMS

The crime of defrauding the government by the claims process is illusive in nature. It is strongly recommended that any investigation you undertake involving such frauds be closely coordinated with the office of the local SJA. His advice can help you avoid many of the pitfalls inherent in establishing the existence of offenses in this highly technical area of criminal law.

MAKING AND PRESENTING FALSE AND FRAUDULENT CLAIMS

There are two common elements of proof needed to substantiate the offenses of making and presenting false and fraudulent claims. You must show the false or fraudulent nature of the claim itself. And you must show proof that the accused knew of the dishonest or fictitious character of the claim in question. For example, a false or fraudulent claim is made against the government when a person files a claim for property lost in military service, knowing that the articles were not, in fact, lost. The making of a false or fraudulent claim, by its very nature, requires the claimant to personally make a false statement. But presenting a claim for payment when the claimant knows that it already has been paid or that he is not authorized to present it, does not require him to make a false statement. Someone who submits a legitimate voucher a second time is presenting a false claim, but he or she is not making a false statement.

MAKING OR USING A FALSE WRITING OR OTHER PAPER WITH A CLAIM

The making or using of a false writing or other paper in connection with a claim is a fraud against the government. The offense of making a false writing for the purpose of

obtaining the approval, allowance, or payment of a claim is complete with the writing of the paper, whether or not the writer attempts to use the paper or to present the claim. If a person makes or uses a writing in connection with a claim, and if such writing contains statements intended to mislead government officials considering or investigating the claim, he is chargeable.

MAKING A FALSE OATH WITH A CLAIM

Proof that a fraud against the government has been committed by means of a false oath requires evidence that the accused knowingly made a false oath to a fact or to a writing to obtain an allowance, payment, or approval of a claim. For example, a claimant filing a sworn statement requesting quarters for a person to whom he is not married is making a false oath to support his claim.

FORGING A SIGNATURE WITH A CLAIM

Under the UCMJ, forgery of a signature in connection with a claim constitutes a separate and distinct offense from the crime of forgery. The offense is complete once it can be demonstrated that the accused forged a person's signature on a writing, or knowingly used a forged signature, for the purpose of obtaining the approval, allowance, or payment of a claim.

INVESTIGATING CLAIMS FRAUDS

When you are assigned the task of investigating a suspected false or fraudulent claim against the government, you should make a discreet inquiry into the circumstances surrounding the allegation of fraud. You must inquire into the circumstances to learn if an offense has been committed. But you must do so without

endangering any sources of information or placing suspects on their guard. If you determine a fraud has been committed, continue your investigation to learn the extent of the offense and to identify the persons involved.

You seek to identify suspects and to learn the specific transactions by which the fraud was committed. You identify the roles of the suspects in an alleged fraud. You check for jurisdictional problems. You make an estimate of the technical skills needed to establish the offense and identity of the offenders. And you look for the probable types and locations of evidence of the fraud. You must carefully question persons who—

- Prepared or submitted the claim.
- Received and approved the claim at local or intermediate levels of command.
- Witnessed or attested to the circumstance on which the claim was based.
- May have been in collusion with the suspect to prepare or justify the claim.
- Witnessed or knew of any motive, incident, or circumstance that may point toward the fraudulent nature of the claim.
- Witnessed conversations or observed correspondence between persons involved in making, justifying, or approving the claim.

You may need to audit many pieces of documentary evidence to find those bearing

on a suspected fraud. Claims, applications, travel vouchers, receipts, business and finance reports, audits, bank deposits and withdrawals, and records of monetary conversions and transmittals can all be used to substantiate this form of fraud against the government. In searching for documents to substantiate the allegations of a claims fraud, you must be guided by elements of proof required for the specific offense.

Take action at an early date to secure cooperation from, and refer undeveloped leads to, appropriate commands. This will expedite the investigation and give other agencies time to comply with your requests. If you need more information or additional documents on the fraudulent actions you are investigating, coordinate with any other agencies involved in the investigation. But try to do this without disclosing the results of your preliminary investigation. While awaiting replies or action, check every available local source of information. Make careful use of selected sources and seek out reliable persons who possess information material to the investigation.

Arrange your evidence to point directly to the elements of proof of the specific alleged offense. Your final case report for a fraud must be specific in its allegations and in its information. When undeveloped leads are to be checked by investigators in other fields of study, your report should provide information allowing them time to proceed logically in their work.

FRAUD IN SUPPLY

Fraud in the US Army's supply system, commonly called supply diversion, is the most frequent crime occurring within logistics channels on military installations. Supply diversion ranges from ordering self-service items for personal use or resale to requesting supplies to be shipped by rail and then routing the railcars to areas of low-density traffic to steal their contents.

COMMON SUPPLY FRAUDS

Common supply frauds include ordering items under the wrong national stock number (NSN) or a false document number

and ordering unauthorized items. If a perpetrator puts the wrong national stock number of the item in the stock number block of the request form while putting a correct item description in the description block, the automated system issues and ships the national stock number item, not the description item. When the perpetrator receives the requested item, he diverts it for his own private gain. To spot the diverter, you must use the document number and trace the document from the requestor to the issuing activity and back to the receiver, obtaining copies of all requests and receipts.

If a perpetrator places an order under a false document number, you must trace the audit trail to establish the diversion pattern and find the perpetrator. If a perpetrator is ordering unauthorized items, you must trace the complete audit trail. You must take statements from key witnesses and then compare a copy of the TOE or TDA against the property book. The authorized allowances are filled out in pencil. Thus, they could be erased. But most of the time the perpetrator makes new pages because the items are not authorized, or are not authorized in the quantity ordered, under the unit's TOE or TDA.

INVESTIGATIVE APPROACH

Your first step in investigating a supply fraud is to identify the supply system in which the fraud or theft is occurring. Then you can determine if the system is at the retail (installation, organization) or wholesale (depot or manufacturer) level of the US Army's logistical system. And you must learn if the system is automated by computers or is manual. Manual and automated systems use the same forms, but their operational principles differ at local level. The manual system uses a property book reflecting TOE and TDA equipment on individual property pages. The automated system uses computer listings reflecting all equipment authorized and on hand on a single printout.

After you determine the system from which a supply item is missing, review the supply

transaction register, called a document register, and see which unit or organization requested the item. Obtain the document number of the requisition. Then carefully follow it through the audit trail. You must check each level of the supply system furnishing material to the supply activity that has physically issued and shipped the item to the requestor. Obtain a copy of the request at each step of this initial investigative path for backup.

Then begin following the issue trail that leads from the supply activity that was the issuer to the requestor or user. The points along the path of issue will reflect at what point the item was taken from US Army control. Obtain copies of all requests for issue, issue documents, shipping reports, or the like. When you have copies of all these documents, continue your investigation as if you were investigating a larceny.

Not all supply frauds occur as diversions from a supply system. Many items are reported stolen from a storage area. To investigate the loss, obtain the supply documents verifying that the items were physically present at the activity reporting the loss. Determine the activity's inventory procedures. Then establish the time frame extending from the date when the items were last seen at the activity to the date when the loss was noted. If the items were last present at an inventory, apply your larceny investigative techniques and procedures to find the perpetrator. If the items were known to be missing before the last inventory and

INDICATORS OF SUPPLY FRAUD

- Regular use of maximum droppage allowances.
- Unusually high or low personnel turnovers and chronic requests for transfers.
- Regular appearance of inventory shortages or overages near the maximum allowed.
- Irregularities in the taking of inventories.
- Attempts to influence the choice of persons to take inventory.
- Repeated assignments of the same persons to take inventory.
- Attempts to confuse or deceive officials designated to take inventory.
- The appearance of articles at inventory time that using units are not able to obtain by requisition shortly thereafter.
- Perfect inventories
- Repeated reports of larcenies, burglaries, or the like, having too much or too little evidence that leads nowhere.
- Excessive use of statements of charges and reports of survey.

they were carried on the inventory as being on hand, the provisions of AR 735-5 apply. A report of survey must be made by the property book officer. Be aware that inventory shortages are often reported as

supply larcenies. This is done in an attempt to cover poor supply management techniques and to generate a criminal investigation instead of a report of survey.

FRAUD IN PETROLEUM DISTRIBUTION

Fraud in the petroleum distribution system can be minor pilferage. It can be systematic theft. And it can also be falsification of multi-million dollar orders by a purchasing conspiracy among contracting officials and oil companies. A study of AR 703-1 and FM 10-69 should give you the knowledge of petroleum operations you will need to investigate most petroleum fraud. Investigations of extremely large losses from conspiracies are usually outside your purview.

Pilferage may occur in “nickel and dime” losses of petroleum in amounts as low as 5 or 10 gallons a day. The methods of pilferage may range from recording the wrong amounts on DA Form 3643 (Daily Issues of Petroleum Products) to siphoning gas from a vehicle tank. You can discover these losses by simply monitoring the amount of gas used and then comparing that amount with the amount stated on the form. If pilferage is discovered, use the gasoline theft detection kit and undertake surveillance to catch the offenders.

Larger, systematic, losses are usually from theft by a supplier. Suppliers may use false

tanks. They may trap petroleum in buckets inside the delivery vehicle. Or they may add air or heat to the delivery line just before it connects to the meter. They may also conspire with a government attendant to leave some of the petroleum in the delivery vehicle. Large-scale theft usually means the government attendant is not making the checks required by AR 703-1 or is conspiring with the supplier. In the latter case, a fluid, like water, is usually mixed with the petroleum to cover the shortage.

Sometimes paperwork is falsified to cover a loss. It is easy to cover shortages by simply adding gallons to those a driver has signed as accepting on the DA Form 3643 or just completely falsifying entries on the form. The driver, for example, may be receiving 10.2 gallons and signing for 11 gallons. At a large issue point several hundred gallons a week can be lost by this method. Your use of surveillance and a cross-check of the logbook against the DA Forms 3643 can help prove the fraud.

FRAUD IN CONTRACTING

Contracts embrace all types of agreements to procure supplies or services. The investigation of crimes like fraud and bribery involving government contractors is within the purview of the FBI. But under AR 27-10, which effects a memorandum of understanding between the FBI and DOD, in cases wherein it appears that a government employee has violated a departmental regulation involving standards of conduct, but which involves no violation of federal statutes, military investigators normally conduct the inquiries. They investigate to obtain the detailed information the commander needs on which to base his action. An investigation of this nature, while

mainly of administrative interest, may be conducted concurrently with a criminal investigation.

All suspected criminal conduct and noncompetitive practices related to contracting must be reported. Reports of possible fraud or violation of antitrust laws must contain a certified statement of the facts of the dereliction. The reports must include affidavits, depositions, records of action, if applicable, and any other relevant data.

This reporting may require preliminary investigation of allegations of a criminal nature for referral to the Department of

Justice and the FBI for determination of prosecutive interest. It may include supplying details for consideration of debarring persons or firms from participating in procurement contracting. And it may include furnishing information to a commander to help him decide whether or not to take administrative or disciplinary action in connection with procurement.

Government personnel engaged in contracting may violate statutory prohibitions and administrative regulations by accepting gratuities or conspiring to defraud the government. Their wrongful act and malfeasance in the performance of duty, when established as fact, maybe both legally and administratively actionable. Government contracting personnel may perform a lawful act in a manner prohibited by regulations or perform the act in a manner not directed by regulations. Their misfeasance would be administratively actionable. Their actions violate the UCMJ. Government contracting personnel who fail to follow procedures required by acquisition regulations are guilty of nonfeasance. Even if the omission is not a part of a scheme to defraud the government, it is nevertheless actionable.

VIOLATIONS OF STANDARDS OF CONDUCT

Regulatory standards of conduct and ethics apply to contracting officers and all military or civilian personnel engaged in contracting action and related processes.

In contracting, many decisions are largely a matter of personal judgment. Contracting is necessarily carried on, to a great extent, through personal contacts and relationships. Thus high ethical standards of conduct are essential to protect the interests of the government. The expected standards of conduct for government civilians and military personnel are set forth in the Federal Acquisition Regulation (FAR) and AR 600-50.

Any act that compromises the Department of the Army or that impairs confidence in the government's relations with industry or individuals must be avoided. Violations of the regulatory standards of ethics and conduct may involve such variable factors as

judgment, previous experience and relationships, and individual interpretation of ethics. Whatever the circumstances, the ethical standards of all persons charged with the administration and expenditure of government funds must be above reproach and suspicion in every respect at all times.

Any indications of an abnormal need for money or of participation in activities which could place personnel at risk or open to pressure in the conduct of their duty must be checked carefully. Monetary gain is the motive for most frauds committed against the government. Persons buying items for themselves, their families, or their girlfriends or boyfriends that are above what is in keeping with their incomes or the combined incomes of family members may be open to fraudulent activity to support their tastes. Any marked change in these factors within a short time is especially worth noting. Persons indulging in recreation or entertainment that is priced above their incomes and resources or that could have been furnished by firms they deal within an official capacity may also be risking suspicion.

Gambling for high stakes, excessive drinking and entertaining, and illicit relations with persons of ill repute may tempt a person responsible for government money or property to divert some of it to his or her personal use.

INVESTIGATIVE APPROACH

Before investigating a suspected contracting fraud, you must familiarize yourself with the contracting process and the laws and regulations that apply. Contracting activities operate under many complicated and highly technical procedures. Irregularities often occur within a framework of a complex pattern of statutory provisions, administrative regulations, and departmental or agency procedures. You must be reasonably familiar with these laws, regulations, and procedures to recognize deviations from normal contractual processes.

Discovering contracting irregularities requires continuous critical scrutiny of each step of the process from the inception of the contract to its termination. Easy

identification of the exact spot where an irregularity has occurred is a rarity. It takes an extensive study of a contract and the regulations pertaining to it before you can expect to successfully undertake a contract investigation. Your familiarity with these matters is your basic tool for exploring the causes of, and contributing factors to, contract irregularities.

You must begin your investigation by methodically and carefully separating pertinent issues and reviewing completely all related records, regulations, and procedural requirements. You must approach contractors, government contracting personnel, and others connected with the issues in question on an informed and perservering basis. Appropriate curiosity is essential to definitive investigation. Take nothing for granted. Check and confirm verification information, statements, time sequences, and observations. Seek corroborative evidence. Exhaust all leads to clear up matters not fully understood or completely clear. Seek to clarify and verify dates at the beginning of the investigation. Delays may permit suspects to develop collusive measures or cover stories to alter or substitute records.

Your most valuable sources of information will be government employees. They have a basic obligation to report suspected wrongdoings. Nurture their confidence and trust. If you receive information with a stipulation of confidence, honor it.

Ex-employees are often willing to become involved in an investigation. This is particularly true if they feel they may have been unfairly treated during their employment or in connection with their separation. Review records of employees separated from government service to find those who may have observed a questioned action during their employment.

A discreet inquiry among trade groups often can produce revealing information as to whether or not procurement actions involving a particular agency or firm are "clean." And perhaps the most willing, if not the most knowledgeable, sources of information will be disgruntled, unsuccessful bidders.

Most of your human sources of information are likely to have only a general suspicion or a fragmentary knowledge of an alleged irregularity. However, some may be able to supply enough information to permit a rapid and thorough evaluation of the situation. You must use your knowledge of the contracting processes to evaluate and convert their statements into leads.

You must get full information on any allegations. They may indicate which persons and processes are suspect. If allegations are in writing, contact the writers to seek more information. Often they can provide names, dates, or places not reported initially. And check their motives for making the allegations. Anonymous allegations are often unfounded and made for ulterior motives. But you must investigate all such allegations to confirm or refute them.

Check the actions of government employees. There may have been premature and/or unauthorized release of procurement information. Contractors may have been permitted access to areas or offices where contracting actions were discussed and where prerelease information could have been obtained. Contracting officers could have failed to furnish complete information to boards of awards. Boards of awards may have failed to consider all relevant factors. This is particularly true if the senior, best-informed, or dominating member is in a position to exert undue influence. Contracting officers could have failed to enforce all provisions of a contract. Particularly open to fraud are inspections, delivery of government-furnished property, delivery schedules, or closing of completed contracts. And see if government-furnished property was released to a contractor before it was needed, enabling the contractor to use it on other products. Supervisors may have failed to ensure proper use of government-furnished or -owned property. Or they may have failed to exercise adequate controls over, or accountability for, such property, particularly upon completion of a contract.

Check inspection procedures. The preaward survey inspections may have been inadequate. The reports of inspection of the contractor's facilities may be false or misleading. Inspectors may have failed to

inspect contractor products. They may have permitted the contractor to use inferior materials. They may have allowed contractors to meet weight specifications by adding unauthorized materials. Or they may have allowed contractors to deviate from weight or density specifications. See if the contract administrator failed to document actions in the contract file that could result in savings to, or that could be detrimental to, the interest of the government.

Check the actions of contractors. Learn if gratuities were given to a government employee. See if frequent visits or telephone calls that could have gained information resulting in a more favorable position for the

contractor were made to government employees. Check for substitution of rejected or substandard items with acceptable items in shipments, with or without the inspector's knowledge.

See if the contractor could have presented false data or incorrect information prior to the award of a contract. Also check specifications and sole-source procurements.

Specifications can be slanted to favor the product of a particular manufacturer. And sole-source contracts must be checked to ensure that persons in engineering, supply, maintenance, or the like have not inserted specifications for their own self-interest.

FRAUD IN DISPOSAL OF GOVERNMENT PROPERTY

Defense materials like hardware and other supplies that are not consumed, as they are used eventually, become eligible for disposal through a property disposal activity. All government-owned property, including scrap, must be disposed of in a way that gives the government the most use or monetary return.

The screening of excess material is very important. Every effort must be made to learn if the government can possibly use the excess material. If the federal government cannot use the excess, then perhaps state agencies or charities eligible for limited support by the federal government can use the material. The disposal activity must take action to help interested activities obtain available property. They may circulate lists of items available for issue. They may keep records of authorized recipients' needs and screen the records against available property. They also may tag or put aside items to help prospective users find items they might want.

After use and donation screening periods expire, property becomes eligible for sale. Items for sale must meet the criteria specified in the Defense Disposal Manual 4160.21-M.

The sealed bid method is used to sell scrap, waste, or property having a commercial or technical use or interest to groups on a local, regional, or national basis. The spot bid method is used to sell property which has extensive consumer use. These spot sales,

negotiated sales, and auctions are generally less time-consuming than the formal sealed bid method. Retail sales are used to sell small quantities of property appealing to individual users. Approval from the Defense Property Disposal Region (DPDR) for a retail sales program must be in writing in the Defense Property Disposal Office (DPDO) files. And property records must show the time period during which the property was made available for transfer and donation screening.

Except for retail sales conducted at the DPDO, sales offices collocated with each DPDR HQ determine the sales method. The sales offices prepare invitations for bids, maintain bidder's lists, and in general terms, execute and administer contracts.

Certain US munitions and equipment must be demilitarized before being disposed as surplus. Their military advantages, inherent in either the equipment or the material, must be destroyed. These items maybe mutilated, dumped at sea, scrapped, burned, or altered to prevent them from being used for their military and/or lethal purposes. The generating activities must show by means of demilitarization codes on the turn-in document the extent of demilitarization required for each item turned into the DPDO. But the disposal activity is ultimately responsible for ensuring that these items are not disposed of without the required action being taken.

PROPERTY DISPOSAL FRAUD

- “Salting” groups of low-cost line items with high-value items.
- Colluding to falsely downgrade the condition of property or to code it a scrap.
- Recording false scalehouse weights for vehicles removing property sold by weight.
- Concealing stolen items beneath authorized removals or scrap materials.
- Colluding to falsely demilitarize items retaining their military advantages or use.
- Manipulating accountable records to cover the loss of property diverted en route to a disposal activity.
- Granting of favoritism by sales contracting officers during the soliciting of bids and awarding of contracts.
- Falsifying the eligibility of buyers.
Selling property at unreasonably low prices.
- Colluding to repair property at government expense before selling it at prices of unserviceable property.

CONTRACTS FOR DISPOSAL OF PROPERTY

All property sold through disposal channels, with the exception of that property which is sold through retail sales, is sold under the provisions of a legal contract and SF 114C (Sale of Government Property - General Sale Terms and Conditions). The terms of the contract and SF 114C are binding on the contractor and the government. Contracts for the sale of surplus material are negotiated through the sales offices at DPDR headquarters or defense surplus sales offices established for that purpose.

The opportunity for collusion exists in the award of contracts and in the enforcement of contracts once an award has been made. Reducing this opportunity requires the continual review of contracts and the contracting process. The contracts of bidders who are continually high bidders on certain categories of equipment must be reviewed. The type of contract that is awarded must be

examined to see if the best method was used to award the contract. And attention must be paid to the award of negotiated contracts where there is an absence of competition. Changes in the terms of the original contract award or failure by the contractor to honor the terms of the contract as negotiated must also be thoroughly investigated. In overseas areas, investigation often reveals that contract provisions pertaining to the end-use of the material have not been complied with. Common violations of disposal contracts are:

- Failure of the contractor to remove material from the storage area on or before the date specified.
- Loading of material on the contractor's vehicles by employees of the disposal yard using yard equipment when the government is not required by the contract to do the loading.
- Removal of items in addition to, or more valuable than, the items that were contracted for.
- Failure to pay for material at the contracted rate.

RELEASE AND REMOVAL OF PROPERTY

Controlling the release of property at disposal activities is probably the weakest link in the internal control chain. The disposal activity must ensure that the removal is authorized. It must also ensure that the persons removing the property are properly identified and authorized to make the removal. Signature cards, letters of authorization, requisitions, and valid release documents are used to authorize release of property. Property may be released to a contractor representative only when he or she presents a Defense Property Disposal Service (DPDS) Form 1427 (Notice of Award, Statement, and Release Document). When investigating an allegation of fraud involving release or removal operations, you must check the observance of controls for issuing, loading, weighing, and documenting the release of property.

Selectively review the issuing of property to active Army organizations. See if the issues were supported by requisitions and were made to meet valid requirements. The requisitions should cite the appropriate

authorization document number and contain a certificate denoting that the property is required and authorized.

Observe loading operations. Check to see if a property disposal representative is always present to supervise the loading. Make sure the representative examines the property. It must conform to the description and quantity shown on the DPDS Form 1427. And the DPDS Form 1427 must be stamped "Paid." If the DPDS Form 1427 is not stamped, the property disposal representative must confirm the authenticity of the sale and payment with the sales officer before he releases the property.

Observe the processing of outgoing scrap shipments. See if the property to be removed conforms to that shown on the stamped copies of DPDS Form 1427. Examine the property to see if the load contains any items or scrap material that has a higher value than the property for which the contractor is paying.

Observe scale operations. Check to see if loading scales are inspected by a qualified inspector at least annually to assure accuracy. Observe the weighing of outgoing loaded vehicles. Check to see if scale weights are accurately recorded on weight tickets. If weight scales are located outside the property disposal activity, check to see if a property disposal representative accompanies the load to the scales. He must be able to verify that the load is weighed and that weights are accurately recorded.

Review the scale operator's log and weight tickets. Identify by serial number or license

number the contractor vehicles that are frequently used to remove scrap material. See if any unusual patterns exist in recording the empty or loaded weights of these vehicles. If such patterns exist, check the vehicle's empty, or tare weights. If tare weights are not recorded each time these vehicles enter the property disposal yard, request, on a surprise basis, that these vehicles be weighed. Compare the results of the surprise weigh-ins with the tare weights used in previous net-weight computations. Bring any significant discrepancies to the attention of the property disposal officer. And consider having all incoming empty vehicles and frequently used vehicles weighed on a spot-check basis.

Check the procedures assuring that all loaded contractor vehicles pass weight scales and are weighed. From time to time, record the license numbers of vehicles loading scrap or leaving the area with scrap loads. Then examine the scale operator's records to see if the vehicles were weighed. If no weights were recorded by the scale operator, see if a DPDS Form 1460 (Shipment Receipt) or a DPDS Form 1427 was turned in.

If the disposal activity has term contracts for daily or weekly removal of large amounts of scrap like ferrous metal, conduct a review of documents. Determine the tare weights, gross weights, and average weight per removal for each vehicle. And if removals occur more often when a given person is operating the scales, see if he may be recording false gross vehicle weights.
